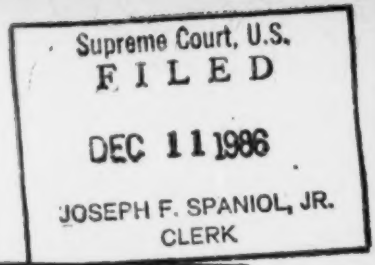


(4)  
No. 86-757



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**In the Supreme Court of the United States**

OCTOBER TERM, 1986

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OLYMPUS CORPORATION, PETITIONER

v.

UNITED STATES OF AMERICA, ET AL.

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*ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE SECOND CIRCUIT*

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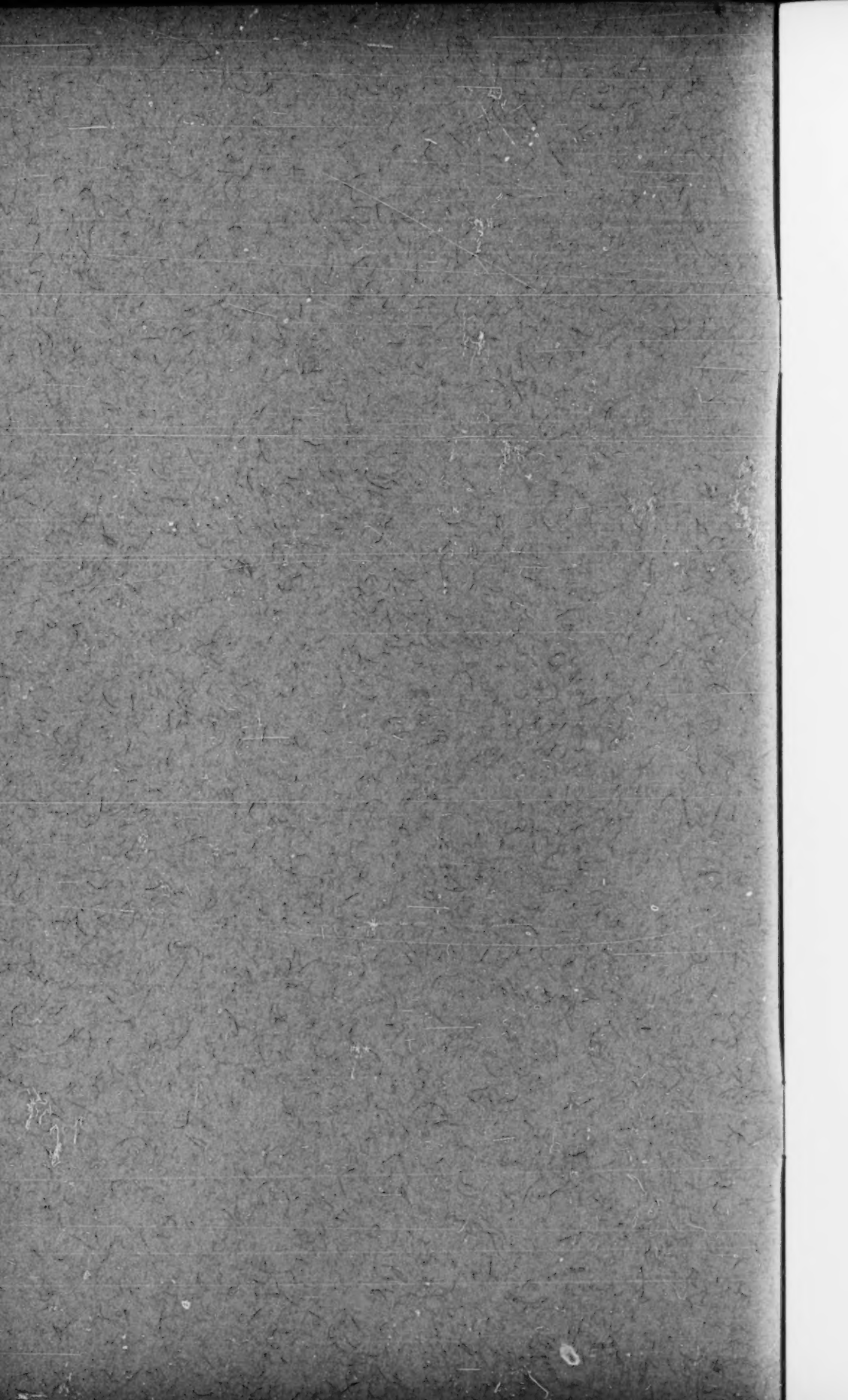
**MEMORANDUM FOR THE FEDERAL RESPONDENTS**

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**MEMORANDUM FOR THE FEDERAL RESPONDENTS**

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Petitioner, a wholly owned subsidiary of a Japanese corporation, challenges the validity of a Customs Service regulation, set forth at 19 C.F.R. 133.21, that governs the importation of goods bearing United States trademarks. We suggest that the Court postpone disposition of this petition pending resolution of three pending cases that present the same issue.<sup>1</sup>

1.a. Section 526(a) of the Tariff Act of 1930 prohibits the unauthorized importation of "any merchandise of foreign manufacture if such merchandise \* \* \* bears a trademark owned by a citizen of, or by a corporation or association

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<sup>1</sup>See *K mart Corp. v. Cartier, Inc.*, No. 86-495; *47th Street Photo, Inc. v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-624; *United States v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-625 (petitions granted and cases consolidated on December 8, 1986).

created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States \* \* \*." 19 U.S.C. 1526(a). Section 526 plainly prohibits entry of foreign merchandise bearing a U.S. trademark if a foreign manufacturer has sold his interest in the U.S. trademark to an unaffiliated U.S. citizen or company. Indeed, Section 526 was enacted for the specific purpose of "protecting the property rights of American citizens who have purchased trade-marks from foreigners" (62 Cong. Rec. 11603 (1922) (Sen. Sutherland)).

For over 50 years, the Customs Service has interpreted Section 526 to permit entry of foreign merchandise bearing a trademark identical to a U.S. registered trademark when there is a substantial identity between the foreign manufacturer and the U.S. trademark owner. The present regulation permits parallel importation when (1) the foreign and U.S. trademark are owned by the same person; (2) the foreign and U.S. trademark owners are subject to common ownership or control; or (3) the U.S. trademark was applied under authorization of the U.S. trademark owner. 19 C.F.R. 133.21.

b. Olympus Optical Co., Ltd, a Japanese corporation, distributes merchandise in the United States through its United States subsidiary, Olympus Corporation (Olympus). Olympus brought suit against the United States, the Secretary of the Treasury, and the Commissioner of Customs, challenging the Customs Service's longstanding regulation. Olympus urged that the regulation is inconsistent both with Sections 526 and with Section 42 of the Lanham Act, which forbids the importation of goods bearing marks that "copy or simulate" U.S. trademarks (15 U.S.C. 1124). Two retailers of "parallel" imports, K mart Corporation and 47th Street Photo, Inc., intervened as defendants.

The district court granted the federal government's motion for summary judgment (Pet. App. B1-B19).<sup>2</sup> It dismissed Olympus' Lanham Act cause of action for failure to state a claim on which relief could be granted (*id.* at B13-B16). It then addressed Olympus' challenge to the regulations interpreting Section 526. The court concluded that Section 526 was drafted to serve "a limited purpose," and that Olympus' broad reading of the statute "is contrary to the reading that is supported by the legislative history, longstanding administrative practice by the Customs Service, relevant judicial decisions, and legislative inaction or acquiescence of [*sic*] all of the above during the decades following enactment of [Section] 526" (Pet. App. B18). It accordingly upheld the validity of the Customs Service regulation.

The court of appeals affirmed the district court's decision (Pet. App. A1-A15). It concluded that "congressional acquiescence in the longstanding interpretation of the statute legitimates that interpretation as an exercise of Customs' enforcement discretion" (*id.* at A11). The court observed that administrative difficulties would arise were Customs to attempt to exclude the items now allowed to be brought in through parallel importation (*id.* at A12-A13). It stated that "in light of the long acceptance of the regulations, change is a matter for the legislative or executive branch and not the judiciary" (*id.* at A13 (footnote omitted)). Judge Winter dissented (*id.* at A15-A17).

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<sup>2</sup>The district court determined that it had jurisdiction to entertain this suit. See Pet. App. B3. Disagreeing with the Federal Circuit's decision in *Vivitar Corp. v. United States*, 761 F.2d 1552 (1985), cert. denied, No. 85-411 (Jan. 13, 1986), it rejected the argument that the Court of International Trade has exclusive jurisdiction, pursuant to 28 U.S.C. 1581, over challenges to Customs Service regulations interpreting Section 526. The court of appeals affirmed this jurisdictional determination. Pet. App A6-A9.

2. Petitioner requests this Court to review the court of appeals' determination that the Customs Service regulation is valid, citing a conflict on this question among the Second, Federal, and District of Columbia Circuits (Pet. 10). On December 8, 1986, the Court granted three related petitions for a writ of certiorari, arising from the D.C. Circuit's decision in *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903 (1986), that raise the same issue. See *K mart Corp. v. Cartier, Inc.*, No. 86-495; *47th Street Photo, Inc. v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-624; *United States v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-625. We therefore suggest that the Court postpone disposition of this petition pending resolution of those consolidated cases.

Respectfully submitted.

CHARLES FRIED  
*Solicitor General*

DECEMBER 1986



